

MACRO DAILY

04 March 2021

Macro developments

- India's services PMI jumped sharply in Feb'21 to 55.3 from 52.8 in Jan'21. New orders increased, supported by domestic orders. New exports continued to decline for the 12th month, although at a slower pace. Rising commodity prices pushed input cost inflation to highest since Feb'13. Employment also continued to decline. Transport and storage sector reported highest growth, while information and communication sector recorded contraction in activity.
- RBI reported that currency in circulation (CIC) declined by Rs 0.5bn and stood at Rs 28.4tn for the week ending 26 Feb 2021. Reserve money rose by 13.6% on a YoY basis, compared with 11.6% a year ago. On FYTD basis, reserve money increased by 11.5% as against 7.4% a year ago.
- Globally services activity remained muted as visible in the PMI prints. In Eurozone, it remained below the 50-mark at 45.7 in Feb'21 versus 45.4 in Jan'21. In Japan as well, the index was at 46.3 versus 46.1 in Jan'21. In China, it edged down to 51.5 from 52 in Jan'21. The US ISM services index also moderated to 55.3 from 58.7 in Jan'21. However, slight improvement in employment was visible. Price pressure remained elevated.

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Markets

- Bonds:** Except Japan and China, global yields closed higher. US 10Y yield rose the most by 9bps (1.48%) as investors await Fed Chair's speech. UK 10Y yield also rose by 9bps (0.78%) led by easing lockdown restrictions. Crude prices rose by 2.2% (US\$ 64/bbl) amidst reports that OPEC+ is considering rolling over of supply cut till Apr'21. India's 10Y yield closed stable at 6.23%. It is trading higher at 6.25% today.
- Currency:** Global currencies closed mixed. DXY rose by 0.1% ahead of comments from Fed Chair amidst rising US yields. JPY depreciated by 0.3% to its lowest since Jul'20. INR rose by 0.9% supported by FII equity inflows. It is trading lower today, in line with other Asian currencies.
- Equity:** Barring Dow, other global indices ended higher. FTSE gained by 0.9% driven by announcement of fiscal measures by UK's Finance Minister. Amongst other indices, Sensex (2.3%) surged the most led by pick up in vaccination drive and DII inflows of Rs 3.9bn. However, it is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.48	9	11	42	54	43
UK	0.78	9	5	45	43	41
Japan	0.12	(1)	(1)	7	9	25
Germany	(0.29)	6	2	23	23	35
India	6.23	0	9	33	39	1
China	3.25	0	(2)	7	(6)	57
2Y yields (Δ bps)						
US	0.14	2	2	3	(2)	(55)
UK	0.09	4	6	20	12	(11)
Japan	(0.12)	1	(2)	0	1	15
Germany	(0.68)	1	0	5	4	16
India	4.86	20	19	39	94	(52)
China	2.56	0	(3)	(13)	(33)	59
Currencies (Δ %)						
EUR	1.2063	(0.2)	(0.8)	(0.6)	(0.4)	8.3
GBP	1.3954	0	(1.3)	1.8	4.4	8.4
JPY	107.01	(0.3)	(1.1)	(2.2)	(2.5)	0.5
AUD	0.7775	(0.6)	(2.4)	1.7	4.8	17.3
INR	72.72	0.9	(0.5)	0.3	1.5	0.7
CNY	6.4679	0	(0.2)	(0.6)	1.4	6.6
Equity & Other indices (Δ %)						
Dow	31,270	(0.4)	(2.2)	4.3	4.6	15.4
FTSE	6,675	0.9	0.2	4.2	3.3	(2.1)
DAX	14,080	0.3	0.7	4.8	5.8	16.1
NIKKEI	29,559	0.5	(0.4)	6.9	10.3	40.1
Shanghai Comp	3,577	1.9	0.4	2.7	3.7	18.8
SENSEX	51,445	2.3	1.3	11.1	15.3	33.9
Brent (US\$/bbl)	64.07	2.2	(4.4)	14.7	32.8	25.3
Gold (US\$/oz)	1,711	(1.6)	(5.2)	(7.4)	(6.6)	4.5
CRB Index	489.3	(0.2)	(0.1)	6.7	14.7	22.5
Rogers Agri Index	964.5	(0.9)	(2.8)	3.9	17.6	35.2
LIBOR (3M)*	0.18	0	(1)	(2)	(5)	(82)
INR 5Y Swap*	5.91	7	(2)	34	72	11
India FII data (US\$ mn)						
	2 Mar	1 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(227.7)	(105.3)	(333.0)	(333.0)	(1,817.2)	(5,910.8)
FII-Equity	361.2	115.9	477.1	477.1	5,470.9	35,446.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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